

Appendix B

Bill Credit Calculation

Performance incentive bill credits in the amount specified in the table below apply to all measures with sub-standard performance. Incentive credits apply on either a “per measure” or a “per unit” basis. The total amount of the incentive credit is a function of the severity of the miss (“Minor,” “Moderate” or “Major”), the number of consecutive months for which VNJ has failed to meet the standard, the relative volume of CLEC activity (in the case of “per measure” measures), and the volume of “affected units” (in the case of “per unit” measures).

Performance Differences for Absolute Standards

For measures with absolute (benchmark) standards, where performance does not meet the applicable standard, the severity of the miss is determined by the difference between the standard and the actual VNJ performance.

- If higher performance is better, subtract the actual VNJ performance for the CLEC from the standard.
- If lower performance is better, subtract the standard from the actual VNJ performance for the CLEC.

Example: If Metric OR-1-02, % On Time LSRC Flow Through, Resale, POTS/Pre-qualified Complex, had an actual performance of 94.5% against a standard of 95%, the difference would be 95%-94.5% or 0.5%. Since this is a “Percent Measure,” the severity designation for the performance for Metric OR-1-02 is as follows:

	Minor	Moderate	Major
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All Percent Measures	0.1 to < 5%	5 to 15%	> 15%
	Difference	Difference	Difference

The severity of this miss is “Minor.”

Performance Differences for Parity Standards

For measures with parity standards where the standard has not been met (i.e., the Z-score is equal to or less than -1.645), the severity of the miss is determined by the difference between the CLEC performance and the VNJ retail performance.

- If higher performance is better, subtract the CLEC performance from the actual VNJ retail performance.
- If lower performance is better, subtract the actual VNJ retail performance from the CLEC performance.
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Example: If Metric PR-4-05, % Missed Appointments No Dispatch, UNE Platform, had a Retail performance of 0.42% and a CLEC performance of 5.73%, the difference would be 5.73%-0.42% or 5.31%. Since this is a “Percent Measure,” the severity designation for the performance for Metric OR-4-05 would be as follows:

	Minor	Moderate	Major
All Percent Measures	0.1 to < 5%	5 to 15%	> 15%
	Difference	Difference	Difference

The severity of this miss is “Moderate.”

For parity measures that are averages or means (e.g., PR-1-02, Average Offered Interval - Total Dispatch), severity of a miss will be determined in the following manner.

- For metrics that are an average or mean, the remedy shall be computed by determining the Z-Score. If the Z-Score, if greater than -1.645 - no remedy is required; if the Z-Score is equal to or less (farther from zero) than -1.645 the remedy will be calculated as follows:
 - A) Separately, determine the mean of VNJ's observations and the CLECs observations for the reporting period;
 - B) Separately, determine the percentage of occurrences above the mean for VNJ and the CLECs;
 - C) If VNJ's mean is greater than the CLECs mean, no remedy applies. If the CLECs mean is greater than VNJ's, calculate the difference between the means.
 - D) Divide this result by the standard deviation of VNJ;
 - E) Multiply this result by the number of CLEC occurrences;
 - F) Determine the level of severity by calculating the difference between the % of CLEC observations and the % of VNJ observations above the VNJ mean. Compare this result to the credit table for "All Percent Measures";
 - G) Multiply this result¹ by the appropriate level of severity to determine the applicable remedy.

¹ Incentive Plan payments for these results are limited to payments for failures no greater than the actual number of occurrences reported in that month.

EXAMPLE:	<u>VNJ</u>	<u>CLEC</u>	<u>STEP</u>
Total Observations	534	1443	
Mean	6.2	7.9	“A”
% Observations above mean	25.28%	44.56%	“B”
Standard Deviation (SD)	5.18		
Difference in means/SD	.3281		“D”
Occurrences subject to remedy	473.45		“E”
Severity (Difference of the % observations above mean)	19.28%		“F”
Remedy	\$71,017.50		“G” (473.45*\$150)

	Minor	Moderate	Major
All Percent Measures	0.1 to < 5% Difference	5 to 15% Difference	> 15% Difference

The severity of this miss is “Major.”

Credits for Measures with “Per Measure” Incentives

For those measures listed in Appendix A as having “per measure” incentives, bill credits will apply on a per measure basis, at the amounts set forth in the following table:

	Minor	Moderate	Major
\$/Measure	\$15,000	\$30,000	\$75,000

Example: If Metric PO-4-01, % Change Management Notices Sent on Time (VNJ) has a “Minor” miss, credits in the amount of \$ 15,000 would be allocated among the CLECs based on their lines in service at the end of the specific month where the standard was missed.

Credits for Measures with “Per Unit” Incentives

Most CLEC-specific measures are assigned a fixed amount of bill credit per affected unit associated with the CLEC in a given month. For these measures, the following calculation is performed to determine credits due:

- Affected units are determined by multiplying the number of units of measured service activity (observations for the month) by the performance difference.
- Credits are calculated by multiplying the affected units by the fixed dollar amount per unit that corresponds to the severity level of the performance difference.

	Minor	Moderate	Major
\$/Unit	\$ 35	\$ 75	\$ 150

Example: Metric PR-4-05, % Missed Appointments No Dispatch, UNE Platform, has a moderate miss, with a 5.31% performance difference on a CLEC’s volume of 12,500 orders. First determine the “affected units” by multiplying 5.31% x 12,500 to obtain 663.75 affected units. Then, multiply the “Moderate” per unit credit amount of \$ 75 by 663.75 to obtain a total \$49,781.25 credit for the CLEC for that month.

Credits for Misses for Consecutive and/or Multiple Months

For measures that miss the applicable standard for two or more consecutive months, a factor is applied to increase the performance credit:

- A measure for which the standard is missed for two consecutive months will be subject to an incentive credit that is two (2.0) times the amount of the incentive credit for the first month the standard is missed.
- A measure for which the standard is missed for three consecutive months will be subject to an incentive credit that is three (3.0) times the amount of the incentive credit for the first month the standard is missed.

- A measure for which the standard is missed for four or more consecutive months will be subject to an incentive credit that is five (5.0) times the amount of the incentive credit for the first month for each month the standard is missed.
- In addition, VNJ shall be required to calculate and remit any remedy at the three (3.0) times multiple where performance for any three months in a six-month period is sub-standard. If this situation occurs, VNJ must provide performance at an acceptable level for three consecutive months prior to reverting to the lower multiples.

Frequency Factor			
Frequency Factor	2 Consecutive Months	3 Consecutive Months	4 or More Consecutive Months
Multiple of first month incentive credit	2.0	3.0	5.0

Example: Metric PR-4-05, % Missed Appointments No Dispatch, UNE Platform, has a “Moderate” miss with a 5.31% performance difference on a CLEC’s volume of 12,500 orders, resulting in a \$49,781.25 credit. If this were the second consecutive month that the standard was missed for this measure, the credit would be 2.0 x \$ 49,781 or \$99,562.50. If the standard for this measure had been missed for four or more consecutive months, the credit would be 5.0 x \$49,781.25 or \$248,906.25.